financial system at 10th position in the world;

(c) if so, the facts and reaction of Government thereto; and

(d) what efforts are being made by Government to improve their financial system?

THE MINISTER OF FINANCE AND THE MINISTER OF COMPANY AFFAIRS (SHRI P. CHIDAMBARAM): (a) and (b) According to a survey conducted by the Political and Economic Risk Consultancy Limited as reported in Statesman dated May 22, 1996 India ranked 10th in financial system with the rating of 6.29 while it ranked 9th with a rating of 6.93 in physical infrastructure. According to this survey report published in Statesman, Vietnam was found to have the most deficient financial sector followed by China, India and the Philippines.

(c) and (d) Indian Financial System is currently undergoing a process of reform as a part of the broader reform programme initiated in 1991-92. The results of the implementation of various reform measures have so far been encouraging. As at the end of March, 1995, 13 out of 27 public sector banks attained the minimum capital adequacy ratio of 8%, 11 between 4% and 8% and the remaining 3 banks less than 4%. Besides, the positive trend of reduction in the number of public sector banks reporting operating losses from 9 to 6 during 1993-94 was further confirmed in a significant turn around of the public sector banks during 1994-95 with a net profit of Rs.1116 crore as against a net loss of Rs.4349 crore in 1993-94. Alongside, there has been a drop in non-performing assets of the public sector banks from about 24% of their loan portfolio in 1992-93 and 1993-94 to a little below 20% in 1994-95. Besides, the first phase of de-regulation of interest rate has been successfully carried out.

Inflow of Foreign Institutional Investment

964. SHRI RAM NATH KOVIND: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the foreign institutional investment inflow is nearly 2 billion U.S. Dollars in 1996;

(b) if so, the details thereof;

(c) whether Government have any record of areas of such heavy investment by Foreign Institutional Investors in the country;

(d) if so, the details thereof;

(e) whether the country has been benefited by such increasing foreign investments; and

(f) if so, the details thereof and if not, the reasons therefor?

THE MINISTER OF FINANCE AND THE MINISTER OF COMPANY AFFAIRS (SHRI P. CHIDAMBARAM): (a) and (b) Yes, Sir. As per information available with the Securities and Exchange Board of India (SEBI) in 1996 net investments by Foreign Institution Investors (FIIs) upto 2nd July, 1996 stood at US $ 2.118 Billion.

(c) and (d) The FIIs are free to transact business on shares of Indian companies listed in the Indian Stock Markets without any sectoral restrictions. As the dispersion of investments is wide and subject to day to day changes, it would not be feasible to analyse the sectoral spread.

(e) and (f) Participation by international investors increases the depth and credibility of the domestic capital markets and enhances the scope for capital mobilisation by the Indian Industry. Besides, the forex inflows consequent to FII investments play a facilitating role in management of the country's Balance of Payment situation.